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10-27-72

Problems In Financial And
Property Administration At
Washington Technical Institute
District Of Columbia B-167006

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

093462

OCT. 27, 1972

~~713430~~



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

B-167006

Dear Mr Scherle

In accordance with your request, we have reviewed selected areas of financial and property administration at Washington Technical Institute. The results of our review are set forth in this report.

We did not obtain written comments from the District of Columbia Government on the contents of the report. The contents were discussed, however, with Institute officials. *CNG 00052*

As agreed with your office, copies of this report are being sent to the Chairmen of the House and Senate Committees on Appropriations, the Chairmen of the House and Senate Committees and Subcommittees on the District of Columbia, the Director, Office of Management and Budget, the Commissioner, District of Columbia, the Chairman of the Board of Vocational Education, and the President, Washington Technical Institute.

Sincerely yours,

A handwritten signature in cursive script, reading "James B. Adams".

Comptroller General
of the United States

The Honorable William J Scherle
House of Representatives

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~~COMPTROLLER GENERAL'S REPORT TO~~
~~THE HONORABLE WILLIAM J. SCHERLE~~
~~HOUSE OF REPRESENTATIVES~~ ALL CAPS
 SINGLE UNDER CORE

PROBLEMS IN FINANCIAL AND
 PROPERTY ADMINISTRATION AT
 WASHINGTON TECHNICAL INSTITUTE,
 District of Columbia

B-167006

10-27-72

~~DISCLOSURE~~

~~REPORT TO THE DISTRICT GOVERNMENT~~
 Report to William J. Scherle pursuant to his request. ists, and Institute officials

Congressman Scherle requested that
 the General Accounting Office (GAO)
 review, at (1) the Federal City Col-
 lege, (2) the District of Columbia
 Teachers College, and (3) the Wash-
 ington Technical Institute, the

--authority for the receipt and de-
 posit of all funds,

--procedures for control over the
 obligation and expenditure of ap-
 propriated funds,

--accountability for supplies and
 equipment, and

--procedures for the collection of
 tuition and fees owed by students
 the report contained information about
 the report discusses the Washington
 Technical Institute GAO issued its
 report on the Federal City College
 on October 27, 1971, and its report
 on District of Columbia Teachers
 College on May 16, 1972

--GAO did not obtain written comments
 from the District of Columbia Gov-
 ernment on the contents of this re-
 port. The contents, however, were
 discussed with Institute officials

FINDINGS AND CONCLUSIONS

We reported that
 (The Institute has management weak-
 nesses which require the attention
 of the Board of Vocational Educa-
 tion, District Government account-
 ing, budgeting, and legal special-

Special classes and research studies

The Institute has provided special
 classes and has performed research
 studies under contracts with Dis-
 trict agencies, Federal departments,
 and private concerns. The special
 classes, referred to as Urban Serv-
 ices classes, are not a part of the
 Institute's regular curriculum but
 are given to improve the profes-
 sional skills or to advance the edu-
 cation of participants (See p 6)

The amounts charged by the Institute
 for such classes and studies are de-
 signed to recover all expenses.
 Amounts collected have been depos-
 ited either in the U S Treasury to
 the credit of trust accounts estab-
 lished for the Institute's use or in
 a commercial bank account. Direct
 costs--such as teachers' salaries--
 have been paid from these accounts.
 Indirect costs--such as administra-
 tive salaries, supplies, maintenance,
 utility expenses, and use of computer
 facilities--have been paid from the
 Institute's apportionments. GAO
 found that

--The Institute had no legal basis
 for establishing trust and commer-
 cial bank accounts for such pur-
 poses

--Not all costs of providing special
 classes and performing research
 studies for other District agen-
 cies had been charged against

OCT. 27, 1972

Transcript

apportionments, contrary to District regulations

- Reimbursements for indirect costs that had been charged against the apportionments were not deposited to the credit of the apportionments, contrary to District regulations
- District agencies had no legal authority to provide services to Federal departments on a reimbursable basis
- Payments from private concerns were deposited in trust and commercial bank accounts rather than in the Treasury to the credit of the District of Columbia general fund (See pp 6 and 7)

The president of the Institute said that the appropriate Institute apportionments would be reimbursed for the costs charged against them as amounts due on contracts with District agencies for services provided before July 1, 1972, were collected. He said that the trust account to which such receipts had been deposited would be closed, that similar receipts deposited in the commercial bank would be withdrawn, and that these amounts would be credited to the appropriate Institute apportionments. He said also that the Institute intends to deposit receipts and pay costs related to services provided to District agencies after June 30, 1972, from a revolving fund the Institute had established (See p 10)

An official of the District's Office of Budget and Financial Management told GAO that the Congress had not authorized the Institute to operate such a revolving fund. GAO believes that the cost of providing special classes and performing research studies for District agencies should be paid from the Institute's appor-

tionment and that reimbursements from District agencies should be credited to the Institute's apportionment (See pp 10 and 11)

The president of the Institute said that the legality of the Institute's providing services on a reimbursable basis to Federal departments, and the handling of reimbursements received from Federal departments and private concerns, required further consideration by the Institute and the Board of Vocational Education before a final decision could be reached (See p 11)

In GAO's opinion, the Institute has no legal authority to provide special classes and perform research studies for Federal departments on a reimbursable basis. If the Institute wishes to continue providing special classes and performing research studies for Federal departments on a reimbursable basis, GAO believes that the Institute must initiate legislation authorizing it to do so. Also GAO believes that the cost of providing special classes and performing research studies for private concerns should be paid from the Institute's apportionment and that reimbursements from private concerns should be deposited in the Treasury to the credit of the District of Columbia general fund (See p 11)

Deposit and credit of certain moneys

The Institute erroneously deposited tuition, gifts, and miscellaneous income in a commercial bank and other tuition and miscellaneous income in the Treasury to the credit of the trust account established for special classes. In addition, certain grant moneys were incorrectly transferred to this trust account rather than to the Institute apportionments (See p 12)

The president of the Institute agreed to transfer all moneys to the proper account or apportionment, except for certain miscellaneous income. He intends to deposit miscellaneous income (library fines, fees, and profits received from the operation of a food service facility) in the Treasury to the credit of a trust account authorized by the Institute's enabling legislation as a depository for gifts or endowments. GAO believes that miscellaneous income should be credited to the District of Columbia general fund. (See pp 13 and 14)

Control by budgetary limitation

The Institute exceeded its approved budget for two programs by about \$171,000 and \$195,000, without obtaining approval from the Subcommittee on the District of Columbia, House and Senate Committees on Appropriations, and the District's Office of Budget and Financial Management. (See p 15)

This happened because the Institute's accounting personnel were concerned primarily with preventing the authorization of obligations that would exceed the Institute's apportionment and were not considering budgetary limitations. (See p 18)

Accounting controls initiated by the Institute should correct this situation and provide the information needed to request reprogramming actions when desired. Before exceeding budgetary requirements, the In-

stitute, however, must submit reprogramming requests to the District's Office of Budget and Financial Management for its approval and, when necessary, for the approval of the appropriate congressional subcommittees. (See p 18)

The president of the Institute should direct Institute accounting personnel to authorize obligations only after they have determined that funds are available within budgetary limitations. (See p 18)

Controls over equipment and supplies

The Institute did not maintain sufficient information on its equipment and supplies. Institute officials informed GAO of the procedures they intend to implement to improve control over equipment. GAO believes that the steps planned, if properly carried out, will provide effective control. Steps which should be taken to establish effective control over supplies are detailed in the report. (See pp 19 to 22)

Control over accounts receivable

The Institute does not adequately maintain control over its accounts receivable. The president of the Institute agreed and told GAO that a manual would be prepared and seminars conducted to educate officials involved in these matters. Additional steps which GAO believes should be taken to establish effective control over accounts receivable are detailed in the report. (See pp 23 and 24)

CHAPTER 1

INTRODUCTION

In accordance with a request by Congressman William J. Scherle, the General Accounting Office (GAO) made a review at the Washington Technical Institute (WTI) of (1) the authority for the receipt and deposit of funds, (2) the procedure for control over the obligation and expenditures of appropriated funds, (3) the accountability for supplies and equipment, and (4) the procedures for the collection of tuition and fees owed by students. (See app. I.)

Title II of the District of Columbia Public Education Act, approved November 7, 1966 (31 D.C. Code 1621-1625), established WTI and a Board of Vocational Education. WTI, which began classes in 1968, provides (1) vocational and technical education designed to prepare individuals for useful employment in recognized occupations and (2) vocational and technical courses on an individual, noncredit basis. WTI operates under the control of the Board of Vocational Education which consists of nine members appointed by the President of the United States.

Of the District of Columbia's education appropriation for fiscal year 1972, \$7.9 million was apportioned to WTI. We estimate that WTI also received about \$2.8 million in fees, grants, reimbursements from other District agencies, and miscellaneous income. As of March 31, 1972, WTI had 163 faculty members, 3,193 students enrolled in regular classes, 1,287 students enrolled in special classes, and 217 administrative and clerical staff members.

CHAPTER 2

IMPROPER FINANCIAL ACTIONS RELATING TO

SPECIAL CLASSES AND RESEARCH STUDIES

. WTI has provided special classes and has performed research studies under contracts with District agencies, Federal departments, and private concerns. The special classes, referred to as Urban Services classes, are not a part of WTI's regular curriculum but are given to improve the professional skills or to advance the education of participants.

The amounts charged by WTI for such classes and studies are designed to recover all expenses. The amounts collected have been deposited either in the U.S. Treasury to the credit of trust accounts established for WTI's use or in a commercial bank account. Direct costs--such as teachers' salaries--have been paid from these accounts. Indirect costs--such as administrative salaries, supplies, maintenance, utility expenses, and use of computer facilities--have been paid from WTI's apportionments.

We found that.

- WTI had no legal basis for establishing trust and commercial bank accounts for such purposes.
- Not all costs of providing special classes and performing research studies for other District agencies had been charged against apportionments, contrary to District regulations.
- Reimbursements for indirect costs that had been charged against the apportionments were not deposited to the credit of the apportionments, contrary to District regulations, but were deposited in trust and commercial bank accounts.
- District agencies had no legal authority to provide services to Federal departments on a reimbursable basis.

--Payments from private concerns were deposited in trust and commercial bank accounts rather than in the Treasury to the credit of the District of Columbia general fund.

USE OF TRUST AND COMMERCIAL BANK ACCOUNTS

WTI has used two trust accounts--Urban Services Trust Fund and New Careers Trust Fund--and a commercial bank account to handle its receipts from special classes and research studies. Receipts have been deposited either in the Treasury and credited to the trust accounts or in the commercial bank account. Direct costs have been paid from the trust accounts and the commercial bank account. WTI has no legal basis for establishing trust and commercial bank accounts for such purposes.

WTI established the Urban Services Trust Fund in October 1969. The president of WTI said that the fund was used to account for receipts collected and expenses incurred in giving special classes and performing research studies that were not provided for in WTI's budget or apportionments. Deposits to this fund, for the most part, represented payments received from giving special classes and performing research studies, although some deposits to this fund represented receipts from grants, tuition, and the sale of books. (See ch. 3.) From the time the fund was established until March 31, 1972, receipts deposited in the Treasury and credited to this account totaled \$385,000 and disbursements totaled about \$368,000, leaving a balance of \$17,000.

WTI established the New Careers Trust Fund in December 1971. A WTI official told us that the fund was used to account for receipts under a specific contract. Under this contract, WTI was to receive \$218,000 for providing training to enrollees in a Washington, D.C., employment program. As of March 31, 1972, WTI had been paid \$69,000 which it deposited in the Treasury to the credit of this trust account.

In addition, WTI established a commercial bank account in August 1970. As of March 31, 1972, WTI had deposited in this account \$63,000 from special classes and research studies. WTI had expended about \$18,000 from this account in providing these services.

CONTRACTS WITH OTHER AGENCIES
OF THE DISTRICT GOVERNMENT

The District of Columbia Code (1 D.C. Code 244k) authorizes District agencies to place orders with other District agencies for any goods or services such agencies can provide. The code requires that the charges for such goods or services be based on actual cost. The District of Columbia Accounting Manual provides that each District agency (1) disclose in its budget submissions the estimated reimbursements to be received for services or goods provided to other agencies, (2) charge all expenditures incurred in providing the services or goods against the appropriate appropriation, and (3) deposit the reimbursements to the credit of the appropriation which financed the services or goods. Contrary to these instructions, WTI has not disclosed in its budget submissions estimated reimbursements to be received for providing special classes and performing research studies and has not charged all costs or credited all reimbursements to its apportionments.

WTI generally does not bill for special classes and research studies until they are completed. From August 30, 1968, to March 31, 1972, WTI entered into contracts totaling about \$591,000, of which \$307,000 had been collected. WTI deposited \$300,000 of that amount in the Treasury to the credit of the Urban Services Trust Fund and deposited \$7,000 in a commercial bank. As of March 31, 1972, \$148,000 was due WTI for services rendered.

A WTI official advised us that all direct costs related to special classes and research studies had been paid from the Urban Services Trust Fund and that indirect costs had been paid from WTI's apportionments. The \$17,000 balance in the trust account, the \$7,000 deposited in a commercial bank, and the \$148,000 due WTI for services rendered--if it is deposited in the trust account upon collection--represent a surplus. This surplus had accumulated from August 1968 because indirect costs had been paid from WTI's apportionments but the reimbursements received for the indirect costs either had been credited to the Urban Services Trust Fund or had been deposited in a commercial bank. These amounts should be credited to the apportionments against which the indirect costs had been charged.

FEDERAL GOVERNMENT CONTRACTS

As of March 31, 1972, WTI had entered into contracts totaling \$39,000 with two departments of the Federal Government to provide special classes and to perform a research study. WTI had provided all the services but had not received any payments.

Agencies of the District of Columbia Government are not authorized to accept orders and provide services on a reimbursable basis to departments and agencies of the Federal Government. The District of Columbia Code (1 D.C. Code 244) authorizes District agencies to place orders with Federal and other District agencies, and the Economy Act of 1932 (31 U.S.C. 686) authorizes Federal agencies to place orders with other Federal agencies for services. Neither statute, however, authorizes a District agency to accept orders on a reimbursable basis from a Federal department or agency. In similar circumstances the Comptroller General of the United States issued a decision (B-107612, Feb. 8, 1952) in which he stated that:

"Since no statutory provision has been cited and none had been found authorizing *** reimbursement for services rendered as between the District of Columbia and Federal departments or agencies, this office may not sanction any such arrangement."

Therefore it is our opinion that WTI had no legal authority to provide special classes and perform research studies for Federal departments or agencies on a reimbursable basis. Consequently we believe that, when WTI is reimbursed by the two Federal departments for services already provided, these receipts should be considered miscellaneous income of the District of Columbia Government and should be deposited in the Treasury to the credit of the District of Columbia general fund.

CONTRACTS WITH PRIVATE CONCERNS

As of March 31, 1972, WTI had entered into contracts totaling \$364,000 with private concerns to provide special classes and perform research studies. Of the \$157,000 collected by WTI as of March 31, 1972, \$56,000 was deposited in a commercial bank and \$101,000 was deposited in the Treasury to the credit of the Urban Services Trust Fund and the New Careers Trust Fund.

The District of Columbia Code (47 D.C. Code 301) requires that revenues be deposited in the Treasury to the credit of the District of Columbia general fund. The moneys collected by WTI from private concerns for providing special classes and performing research studies should be deposited in the Treasury to the credit of the District of Columbia general fund.

- - - -

We discussed these matters with the president of WTI in May 1972. He informed us that amounts due on contracts with District agencies related to services provided prior to July 1, 1972, would be reimbursed to the appropriate apportionments as they were collected. He said that (1) the Urban Services Trust Fund would be closed by June 30, 1972, (2) the balance of the fund would be credited to the appropriate apportionments, and (3) payments received from District agencies that had been deposited in the commercial bank account would be withdrawn and reimbursed to the appropriate apportionments.

The president of WTI informed us that a revolving fund had been established in accordance with section 2-17-1 of the District of Columbia Accounting Manual and that all receipts from District agencies related to services provided after June 30, 1972, would be deposited in this fund and all direct and indirect charges paid from it. The section in the accounting manual cited by the president states that authority has been granted by the Congress to operate certain funds without fiscal year limitation for the performance of services as prescribed in the authorization. An official of the District of Columbia's Office of Budget and Financial

Management told us that the Congress had not authorized WTI to operate such a fund

The president of WTI said that the other issues, such as the legality of WTI's providing services to Federal departments and the handling of reimbursements received from Federal agencies and private concerns, required further consideration by WTI and the Board of Vocational Education before a final decision could be reached.

CONCLUSIONS

Moneys received by WTI for providing special classes and performing research studies had been erroneously deposited in the Treasury to the credit of trust accounts and erroneously deposited in a commercial bank account. The actions cited by the president of WTI will correct the improper credits and deposits of moneys collected from District agencies. The Congress had not authorized WTI to operate such a revolving fund. Therefore we believe that WTI should charge and reimburse its apportionment for all expenses related to providing special classes and research studies to other District agencies.

In our opinion, WTI has no legal authority to provide special classes and perform research studies for Federal departments or agencies on a reimbursable basis. We believe that moneys to be collected by WTI under existing arrangements should be considered miscellaneous income to the District of Columbia and should be deposited in the Treasury to the credit of the District of Columbia general fund. Furthermore we believe that WTI, if it wishes to continue providing such services on a reimbursable basis, must institute legislation authorizing it to do so.

We believe that receipts from private concerns are miscellaneous income to the District of Columbia and should be deposited in the Treasury to the credit of the District of Columbia general fund. We believe also that the New Careers Trust Fund should be closed and that, in the future, the costs of providing such services should be included in WTI's budget and be paid from its apportionment and that the receipts should be deposited in the Treasury to the credit of the District of Columbia general fund.

CHAPTER 3

ERRONEOUS DEPOSITING AND CREDITING

OF CERTAIN MONEYS

WTI is required by law to deposit certain receipts in the Treasury--tuition and miscellaneous income to the credit of the District of Columbia general fund and gifts to the credit of a trust account authorized by WTI's enabling legislation. WTI erroneously deposited tuition, miscellaneous income, and gifts in a commercial bank and other tuition and miscellaneous income in the Treasury to the credit of the Urban Services Trust Fund--the trust fund established to account for the receipts from special classes. Also certain research grants received by WTI provide for reimbursing WTI for certain indirect costs incurred on grant projects. However, certain grant funds were transferred from grant trust accounts to the Urban Services Trust Fund rather than to WTI's apportionments from which the costs were paid.

The District of Columbia Code (47 D.C. Code 301) requires that revenues be deposited in the Treasury to the credit of the District of Columbia general fund. From July 1, 1970, to February 29, 1972, WTI collected miscellaneous income totaling about \$30,000 from the sale of books, library fines, fees (such as late registrations, transcripts, and duplicate identification cards), and profits received from the operation of a food service facility. On February 29, 1972, WTI had on deposit about \$3,000 in testing and graduation fee receipts. Of the \$33,000, \$26,000 was deposited in a commercial bank account and \$7,000 from the sale of books was deposited in the Treasury to the credit of the Urban Services Trust Fund.

Section 203(a)(6) of the District of Columbia Public Education Act requires that receipts from tuition be deposited in the Treasury to the credit of the District of Columbia general fund. From July 1, 1970, to February 29, 1972, WTI collected tuition of \$11,787 from District of Columbia public schools for attendance by public school employees in regular WTI classes. The receipts were deposited in the Treasury to the credit of the Urban Services Trust Fund. Subsequently, \$850 was transferred to the District of

Columbia general fund. Additional tuition of \$6,873 collected from individual students was deposited in a commercial bank.

Section 203(a)(9) of the act empowers the Board of Vocational Education to accept services and moneys, including gifts and endowments. The act requires that such moneys be deposited in the Treasury to the credit of a District trust account authorized in the act. WTI had not established this account as of March 31, 1972. From March 1, 1969, to February 29, 1972, WTI had received gifts totaling \$1,320 which it deposited in a commercial bank.

Certain research grants received by WTI provide for the payment to WTI of certain indirect costs. Indirect costs, including rental and maintenance costs associated with these various grant projects, were paid from WTI apportionments; therefore, the grant funds made available for these purposes should have been reimbursed to such apportionments. However, between July 1970 and February 1972, about \$32,000 for these indirect costs had been transferred from the grant trust accounts and credited to the Urban Services Trust Fund.

According to the president of WTI, section 203(a)(9) of the District of Columbia Public Education Act refers to miscellaneous income receipts described herein, except for those receipts from the sale of books. Therefore he intends to establish the trust account authorized in the act and deposit miscellaneous income in the Treasury to the credit of this trust account. He said that (1) receipts from the sale of books would be deposited in the Treasury to the credit of the District of Columbia general fund, (2) tuition and gifts, including those already collected, would be deposited in accordance with the appropriate sections of the District of Columbia Public Education Act, and (3) grant funds erroneously credited to the Urban Services Trust Fund would be transferred to the appropriate WTI apportionments.

CONCLUSIONS

The actions promised by the president of WTI should correct the improper deposits described above, except for certain miscellaneous income receipts that will be credited to a trust account. We believe that such receipts are income

subject to the provisions of 47 D.C. Code 301 rather than contributions subject to the provisions of section 203(a)(9) of the District of Columbia Public Education Act. Officials of the District Government responsible for finance and accounting matters concurred with our conclusion as to the classification of such receipts. Therefore these receipts should be credited to the District of Columbia general fund.

CHAPTER 4

ACCOUNTING CONTROL OVER APPORTIONMENTS NOT MAINTAINED BY BUDGETARY LIMITATION

District agencies are required to obtain the approval of the Subcommittee on the District of Columbia, House and Senate Committees on Appropriations, and the District's Office of Budget and Financial Management before reprogramming funds in excess of \$25,000. During fiscal year 1971 WTI exceeded its approved budget on two programs by about \$171,000 and \$195,000 without obtaining the necessary approvals. This occurred because WTI's accounting personnel were concerned primarily with preventing the authorization of obligations that would exceed WTI's apportionment and were not considering budgetary limitations.

The apportionment to WTI for fiscal year 1971 was divided into three program allotments: General Administration, Academic Affairs, and Institutional Support. In addition, the District established dollar limitations for personnel compensation, personnel benefits, and other expenditures.

Senate Report 564 on the District of Columbia's fiscal year 1970 appropriations bill initiated a requirement that the Chairman, Subcommittee on the District of Columbia, Senate Committee on Appropriations, be notified and that Subcommittee approval be obtained before funds in excess of \$25,000 are reprogrammed. This requirement was restated in the Senate reports on the District's appropriation bills for fiscal years 1971 and 1972. District officials advised us that the House Subcommittee on the District of Columbia had the same reprogramming requirements.

In October 1970 the District's Office of Budget and Financial Management established a reporting system requiring District agencies to request its approval 30 days before reprogramming funds. In a memorandum to agency heads, the budget officer explained that these guidelines were established to enable the Budget Office to meet its responsibilities and, when necessary, to obtain approval from the appropriate congressional subcommittees. The memorandum defined

reprogramming as the temporary shift of funds in excess of \$25,000 for a purpose other than that agreed to in the budget plan approved by the Congress. Examples of reprogramming cited in the memorandum include the transfer of funds between programs, activities, or objects of expenditures. Agency heads were advised that they would not have the authority to reprogram funds until written approval was obtained from the Budget Office.

Our examination of fiscal year 1971 financial reports prepared by the District's central accounting unit and WTI's accounting personnel showed that WTI had expended funds for purposes different from those stated in its approved budget, as summarized in the following tables.

Comparison of Fiscal Year 1971
Budget and Expenditures by Program

<u>Program</u>	<u>Budgeted</u>	<u>Expenditures</u>	<u>Over(—) under expended</u>
General administration	\$ 680,355	\$ 851,486	\$-171,131
Academic affairs	3,786,503	3,262,136	524,367
Institutional support	<u>1,203,425</u>	<u>1,398,200</u>	<u>-194,775</u>
Total	<u>\$5,670,283</u>	<u>\$5,511,822</u>	<u>\$ 158,461</u>

Comparison of Fiscal Year 1971
Budget and Expenditures by Dollar Limitation

<u>Limita-</u> <u>tion</u>	<u>Description</u>	<u>Budgeted</u>	<u>Expendi-</u> <u>tures</u>	<u>Over(-)</u> <u>under</u> <u>expended</u>
01	Personnel compensation	\$3,190,214	\$3,104,439	\$ 85,775
02	Personnel benefits	653,293	422,744	230,549
03	Other objects (note a)	<u>1,826,776</u>	<u>1,984,639</u>	<u>-157,863</u>
		<u>\$5,670,283</u>	<u>\$5,511,822</u>	<u>\$ 158,461</u>

^aTravel, utilities, services, equipment, and supplies.

In view of the above, we asked WTI officials to provide us with their reprogramming requests for fiscal year 1971. The president of WTI made three requests to the Budget Office on June 28, 1971. He requested authority to transfer \$282,400 from the Academic Affairs program to the General Administration and Institutional Support programs and to help finance a study of higher education in the District of Columbia. The justifications included in the three requests stated that funds were available due to the timing of WTI's supplemental apportionment, and the justifications included in two of the requests also stated that funds were available from corresponding objects of expenditure in the Academic Affairs program.

In a reply dated July 19, 1971, the Budget Office stated that no action could be taken on these requests, because they were received too late to obtain approval from the appropriate congressional subcommittees in time to allow obligation of the funds before the close of the fiscal year. Also our review of WTI's accounting records showed that expenditures for the General Administration and Institutional Support programs as of June 30, 1971, exceeded the budgeted amounts by about \$366,000, or about \$84,000 more than the amount the president of WTI had requested to be reprogramed.

WTI receives monthly and daily financial reports from the District's central accounting unit. Because of the delay in recording obligations on the daily report and because the report may contain errors, outstanding obligations should be reconciled with the report on a daily basis. This reconciliation would enable WTI to determine the status of its apportionment by budgetary limitation.

In February 1972 WTI's accounting personnel told us that (1) daily reconciliations were not made and that the reports received from the District's accounting unit were used to estimate whether apportioned funds were available before authorizing obligations and (2) an obligation would be authorized even though it might result in exceeding a budgetary limitation as long as a comparison with the daily report indicated an overobligation of WTI's apportionment would not occur.

WTI officials advised us in May 1972 that outstanding obligations were being reconciled with the District's daily report and that the balance of WTI's apportionment by budgetary limitation was being computed daily. Examination of WTI's accounting records showed that the stated action had been implemented. We noted, however, that, because these controls were not established until April 1972, WTI might, according to its April 1972 financial report, expend \$139,000 more in fiscal year 1972 on its Institutional Support program than was budgeted. The financial report included actual expenses through April and mandatory expenditures projected to the end of the fiscal year.

CONCLUSIONS

WTI has not maintained adequate accounting control over its apportionment by budgetary limitation. Actions recently initiated should correct this situation and provide the information needed to request reprogramming actions when desired. Before exceeding budgetary requirements, WTI, however, must submit reprogramming requests to the District's Budget Office for its approval and, when necessary, the approval of the appropriate congressional subcommittees. The president of WTI should direct his accounting personnel to authorize obligations only after they have determined that funds are available in the program or object of expenditure to be charged.

CHAPTER 5

INADEQUATE ACCOUNTING CONTROL

OVER EQUIPMENT AND SUPPLIES

The District of Columbia Accounting Manual states that District agencies having custody of property should maintain detailed property records and control accounts. WTI, however, does not maintain accurate information on its equipment and supplies.

A function of financial property accounting is to provide reliable and systematically maintained records of an agency's investment in property. We believe that property accounting should include:

- Recording in accounts all transactions affecting investments in property, including the acquisition, consumption, and disposal of property.
- Maintaining appropriate records of the quantities and location of property to be of maximum assistance in the procurement and use of such property, including the identification of excess property and its use, transfer, or disposal.
- Verifying independently the accuracy of the accounting records through periodic physical inventories.

EQUIPMENT

The WTI Procurement Manual prescribes procedures to be followed for controlling equipment. The procedures are no longer fully applicable, however, because WTI utilizes a computer printout, referred to as an inventory control listing, as its detailed inventory record rather than the manually posted inventory cards described in the manual.

A WTI official told us that all equipment with a useful life of 1 year or more was included on the inventory control listing which was prepared periodically. As of November 22, 1971, the listing included 5,580 items costing over \$3 million and the name, date ordered, description,

location, manufacturer, cost, and stock number of each item of equipment

We were informed by WTI procurement officials that (1) a single employee is responsible for controlling WTI equipment, (2) all equipment is received and disposed of at the receiving warehouse, (3) after the equipment is accepted, a stock control number is assigned to each item and this and the other data are forwarded to the Data Processing Section so that the new equipment can be added to the inventory control listing, and (4) when equipment is disposed of or relocated, this information is sent to WTI's Data Processing Section so that the equipment can be deleted from the listing or the new location record. The last physical inventory of equipment was completed in June 1971, however, no record of this or other physical inventories was available for our review.

To evaluate the effectiveness of WTI's inventory control procedures, we attempted to (1) verify that 39 pieces of equipment purchased during October and December 1970, with a useful life of over 1 year and costing \$50 or more, had been recorded on the November 1971 inventory control listing and (2) locate 64 items, costing \$50 or more, that had been randomly selected from the November 1971 inventory control listing. Of the 39 items purchased in October and December 1970, only eight had been included on the November 1971 inventory control listing. Also, of the 64 items we attempted to locate, 14 could not be found. WTI, after subsequent investigation, told us that three of the items had been reported stolen and therefore should have been deleted from the list; four items could not be found; and seven items similar to those selected had been found in a location other than that indicated on the listing. However, we could not determine whether these seven items were the seven we were looking for, because stock numbers had not been recorded or had been inaccurately recorded on the equipment.

Our review showed that WTI's inventory records were not accurate primarily because the warehouse did not assign stock control numbers to all equipment--a prerequisite to submission of data for inclusion on WTI's inventory control listing. In some cases stock control numbers were not assigned, contrary to equipment control procedures, because

equipment had been delivered to locations other than the warehouse and warehouse employees had no knowledge of the delivery. In other cases warehouse employees failed to assign stock control numbers to equipment that had been delivered to the warehouse. As a result necessary information concerning the equipment had not been sent to the Data Processing Section and therefore was not included on the inventory control listing.

SUPPLIES

The WTI Procurement Manual states that the issuance and receipt of supplies shall be recorded on computer data cards which shall be used to produce weekly status reports. The manual requires that a physical inventory be taken four times a year, that the results of the inventory be compared with the status report, and that differences be explained. It states also that supplies should be issued only to authorized personnel.

These procedures are not being followed. Although a monthly physical inventory is taken to determine the value of supplies on hand and items needed, it is not reconciled to the status reports. Further, supplies are issued to any WTI employee who submits a requisition even though some of these employees are not authorized to requisition supplies.

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WTI officials agreed in January 1972 that there had been a breakdown in the control over equipment and promised to provide us with a policy statement outlining their planned corrective actions. They said that consideration would be given to improving controls over supplies. In April 1972 they furnished us with a policy statement describing, in general, their plans to improve control over equipment. In addition, we obtained through discussions the procedures they intend to implement. To control equipment WTI officials plan to (1) update the sections of the WTI Procurement Manual relating to property control and inventory, (2) take a complete physical inventory to account for all items purchased after WTI began operations, (3) require that all equipment deliveries be made to the warehouse, stock control numbers be assigned, and required

information be transmitted to the Data Processing Section, and (4) take an annual physical inventory.

CONCLUSIONS

The procedures followed and the records maintained by WTI for controlling equipment and supplies were inadequate. However, the actions planned, if properly carried out, will provide adequate accounting control over equipment. For supplies, WTI should (1) establish a general ledger control account, (2) develop and implement written procedures for recording all transactions in the general ledger control account, (3) use data obtained during periodic physical inventories for control purposes, and (4) provide to the staff responsible for issuing and controlling supplies, a listing of persons authorized to requisition supplies.

CHAPTER 6

INADEQUATE CONTROL OVER ACCOUNTS RECEIVABLE

The District of Columbia Accounting Manual directs District agencies to maintain detailed accounts receivable records and a general ledger control account. WTI, however, does not maintain adequate information on its receivables.

Accounting for receivables is an important form of control, because it provides a systematic record of amounts due that must be accounted for by the responsible agency. Receivables should be recorded promptly and in amounts actually due under contractual or other arrangements.

Most of WTI's receivables result from providing special classes and performing research studies for other District agencies. Files of contracts and related correspondence maintained in the Comptroller's office were WTI's basis for determining amounts due and for preparing billings.

We reviewed the records maintained by WTI officials responsible for providing special classes and performing research studies and the records maintained in the Comptroller's office to determine whether (1) billings were prepared promptly and accurately for all services provided and (2) receivables were collected promptly. Although the amounts due WTI pursuant to completed contracts totaled \$188,000 as of January 1972, bills totaling only \$97,000 had been prepared and sent to debtors. Also some bills were inaccurately prepared and some were outstanding for over 2 years.

These deficiencies occurred because (1) the Comptroller's office did not have copies of all contracts and therefore those responsible for preparing billings were unaware that bills should have been prepared, (2) the amount due was computed on an erroneous basis, and (3) the efforts to collect unpaid bills were minimal in most instances.

We discussed the delinquent and unbilled accounts receivables with WTI officials in January 1972. By March 31, 1972, WTI had prepared bills totaling \$212,000 for delinquent

accounts, unbilled amounts, and amounts due on recently completed contracts. Subsequently, \$107,000 was collected. WTI's president agreed that accounts receivable had not received adequate attention. He said that (1) a manual dealing with accounts receivable would be prepared in the first quarter of fiscal year 1973 and (2) seminars would be conducted to educate officials involved in these matters.

CONCLUSIONS

WTI has not maintained adequate control over its account receivable. In preparing a manual and conducting seminars to insure effective control over accounts receivable, WTI should:

- Establish a general ledger control account and subsidiary records.
- Develop and implement written procedures for (1) recording all transactions in the general ledger control account, (2) maintaining subsidiary records showing, among other things, the name and address of the debtor, the date and original amount of the debt, payments, and the current balance, and (3) periodically reconciling amounts in the subsidiary records with the control account.
- Send followup billings to delinquent debtors and periodically determine and report uncollectable accounts to the District of Columbia Corporation Counsel for necessary legal action.

WILLIAM J SCHERLE
7TH DISTRICT IOWA

COUNTIES
ADAIR GUTHRIE
ADAMS HARRISON
AUDUBON MADISON
CARROLL MILLS
CASS MONONA
CRAWFORD MONTGOMERY
DALLAS PAGE
FREMONT POTTAWATTAMIE
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Congress of the United States
House of Representatives
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July 12, 1971

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BEST DOCUMENT AVAILABLE


Dear Mr Staats

It has come to my attention that the General Accounting Office recently completed a report at the request of Senator William Spong on financial and property management at Federal City College. As a member of the District of Columbia Subcommittee of the House Committee on Appropriations, I am concerned about the operations of this and other institutions of higher education in the District of Columbia which are supported by federal funds.

Specifically, it is requested that your office review the operations of the Federal City College, the Washington Technical Institute and the District of Columbia Teachers College. We ask that you examine the following areas in particular: the authority of the receipt and deposit of all funds, the procedures for control over the obligations and expenditures of appropriated funds, the accountability for supplies and equipment, and the procedures for collection of tuition and fees owed by students. Your prompt cooperation in this investigation would be greatly appreciated.

With kind regards.

Sincerely,



William J. Scherle
Member of Congress
7th Iowa District

WJS.amf

U S GAO Wash, D C

Copies of this report are available from the
U S General Accounting Office, Room 6417,
441 G Street, N W , Washington, D C , 20548

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